

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 OMB-01 RSR-01 /170 W

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R 311440Z AUG 73

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 6701

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION OECD PARIS

LIMITED OFFICIAL USE HELSINKI 2355

E.O. 11652: N/A

TAGS: ECON, EFIN, FI

SUBJECT: FINLAND'S TEMPORARY IMPORT CONTROLS IMPOSED
ON AUGUST 29, 1973.

REF: HELSINKI 2331; HELSINKI A-243

BEGIN SUMMARY. THE FINNISH GOVERNMENT DECISION TO REQUIRE
IMPORT LICENSES FOR CERTAIN HOUSEHOLD GOODS AND AUTO-
MOBILES CAUGHT THE LICENSE ISSUING CUSTOMS BUREAU BY
SURPRISE AND LICENSES HAVE BEEN SUSPENDED FOR THE MOMENT.
ISSUANCE OF LICENSES IS EXPECTED TO COMMENCE NEXT WEEK.
LICENSE PROCEDURES ARE SCHEDULED TO BE LIFTED WHEN, AND
IF, THE GOVERNMENT IMPOSES A SURCHARGE, REPORTEDLY
EQUALING 25 PERCENT, ON SUCH GOODS, THOUGH NOT NECESSARILY
THE SAME LIST FOR WHICH LICENSING IS NOW REQUIRED. FOR
THE PRESENT, THE INVENTORY OF AFFECTED GOODS ARE AMPLE
AND NO IMMEDIATE PRICE INCREASES OR SHORTAGES ARE
ANTICIPATED. END SUMMARY.

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1. AS EXPLAINED IN REF MESSAGES, THE IMPORT LICENSE REQUIREMENT WAS IMPOSED TO FORESTALL SPECULATIVE IMPORTS AND PURCHASES BY CONSUMERS. IT IS A TEMPORARY MEASURE AND THE GOVERNMENT HAS ANNOUNCED THAT IT WILL BE LIFTED AS CONDITIONS WARRANT. ACCORDING TO OFFICIAL SOURCES, THE PROPOSED IMPORT SURCHARGE ON HOUSEHOLD GOODS AND AUTOMOBILES IS A PART OF AN "EQUALIZATION TAX/ PROPOSAL, WHEREBY THE GOVERNMENT PLANS TO USE THE IMPORT SURCHARGE REVENUE TO LOWER PRICES OF "ESSENTIAL COST-OF-LIVING ITEMS." PRESS REPORTS INDICATE THE SURCHARGE OR "EQUALIZATION TAX" PROPOSAL WILL BE SENT TO THE PARLIAMENT ON AUGUST 31. THE SURCHARGE TAX, IF IMPOSED, IS NOT EXPECTED TO DISCOURAGE CONSUMER PURCHASES IN THE LONGER RUN BECAUSE OF THE CONTINUING STRONG DOMESTIC DEMAND AND CONSUMER ANTICIPATION THAT PRICES WILL RISE FURTHER.

2. THE PROPOSED SURCHARGE ON IMPORTS IS POLITICAL IN NATURE. RISING PRICES HAVE RESULTED IN PUBLIC COMPLAINTS THAT THE GOVERNMENT IS NOT DOING ENOUGH AND IN RESPONSE, AMONG OTHER THINGS, THE GOVERNMENT HAS PROPOSED THE ABOVE "EQUALIZATION TAX." HOW THE PROPOSAL WILL BE IMPLEMENTED AND GOODS TO BE COVERED HAVE NOT BEEN DECIDED.

3. THE PUBLIC REACTION TO THE GOVERNMENT MEASURE HAS BEEN GENERALLY FAVORABLE THOUGH SOME HAVE QUESTIONED THE COVERAGE OF GOODS SINCE SOME MIGHT BE CONSIDERED TO BE "ESSENTIAL COST-OF-LIVING ITEMS." AVAILABLE DATA INDICATE AMPLE SUPPLIES OF AFFECTED GOODS ARE ALREADY AVAILABLE IN FINLAND EITHER IN RETAIL STORES OR IN THE FREE PORT AND BONDED WAREHOUSES. NO SHORTAGES OR IMMEDIATE PRICE INCREASES FOR SUCH ITEMS IS ANTICIPATED AT PRESENT.

4. ASSUMING THE SURCHARGE IS IMPOSED, THE IMPLICATIONS FOR FINLAND'S GATT COMMITMENTS HAVE NOT COME UP AS YET. PRESUMABLY FINLAND WILL ATTEMPT TO JUSTIFY ITS ACTION ON "BALANCE OF PAYMENTS GROUNDS."
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